A/51/5/Add.9

United Nations

Fund of the United Nations International Drug Control Programme

Financial report and audited financial statements

for the biennium ended 31 December 1995 and Report of the Board of Auditors

General Assembly
Official Records • Fifty-first Session
Supplement No. 5I (A/51/5/Add.9)

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United Nations • New York, 1996

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ISSN 1020-2722

[Original: English]

[15 August 1996]

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ABBREVIATIONS

AENOC	Association of the European National Olympic Committee
CCLEC	Caribbean Customs Law Enforcement Council
CE	Council of Europe
CEIS	Italian Centre of Solidarity
CERID	Center for the Study of International Relations and Development
CICAD	Inter-American Drug Abuse Control Commission
DDSMS	Department for Development Support and Management Services
ENDA	Environmental Development Action
ESCAP	Economic and Social Commission for Asia and the Pacific
ESCWA	Economic and Social Commission for Western Asia
FAO	Food and Agriculture Organization of the United Nations
ICAA	International Council on Alcohol and Addictions
ICPO/Interpol	International Criminal Police Organization/Interpol
ILANUD	United Nations Latin American Institute for the Prevention of Crime and the Treatment of Offenders
ILO	International Labour Organization
IPS	International Press Service
ITC	International Trade Centre UNCTAD/WTO
NCA	Norwegian Church Aid
OAS	Organization of American States
SESI	Social Service Industry (Brazil)
UNDP/OPS	United Nations Development Programme/Office for Project Services
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNHCR	Office of the United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNIDO	United Nations Industrial Development Organization
UPU	Universal Postal Union
UWI	University of the West Indies
WCO	World Customs Organization
WHO	World Health Organization

LETTERS OF TRANSMITTAL

10 May 1996

Sir,

In accordance with financial regulation 11.4, I have the honour to submit the financial statements of the Fund of the United Nations International Drug Control Programme for the biennium ended 31 December 1995.

Copies of these financial statements are made available to the Commission on Narcotic Drugs and the Advisory Committee on Administrative and Budgetary Questions.

(Signed) Giorgio GIACOMELLI
Executive Director
United Nations International
Drug Control Programme

The Chairman of the Board of Auditors
United Nations
New York

31 July 1996

Sir,

I have the honour to transmit to you the financial statements of the Fund of the United Nations International Drug Control Programme for the biennium ended 31 December 1995, which were submitted by the Executive Director. These statements have been examined and include the audit opinion of the Board of Auditors.

In addition, I have the honour to present the report of the Board of Auditors with respect to the above accounts.

Accept, Sir, the assurances of my highest consideration.

(Signed) Osei Tutu PREMPEH
Auditor General of Ghana
and Chairman
United Nations Board of Auditors

The President of the General Assembly
of the United Nations
New York

I. REPORT OF THE EXECUTIVE DIRECTOR

Introduction

1. The Executive Director has the honour to submit the financial statements of the Fund of the United Nations International Drug Control Programme (UNDCP) for the biennium ended 31 December 1995, in accordance with rule 111.4 of the Financial Rules of the United Nations and General Assembly resolution 46/185 C of 20 December 1991.

Change in accounting policy

2. In accordance with General Assembly resolution 48/216 C of 23 December 1993, the United Nations system Accounting Standards, as contained in the annex to document A/48/530 and subsequent revisions thereof, were taken into account in the preparation of the financial statements. As a result, the accounting policy on income was reviewed and changed to bring it more in line with current United Nations common accounting standards.

3. For 1994-1995, special-purpose contributions have been recorded when they are received rather than when they were pledged. Because these pledges often cover multi-year projects whose activities and resulting expenditure occur in accounting periods subsequent to those in which formal pledges are made, income and expenditure are more accurately matched under the revised policy. Furthermore, actual drawdowns allowed by donors against many of their special-purpose pledges are often contingent upon project progress, therefore making it more prudent to recognize income only when received. The new accounting policy on special-purpose contributions is disclosed in note 2 (e) to the financial statements. As a result of the changed accounting policy, adjustments necessary to the prior-period (1992-1993) special-purpose contributions and fund balance to make them comparable with 1994-1995 are also disclosed in notes 3 and 16 to the financial statements.

4. Some donors have also made special-purpose contributions in advance for future years. Under the Fund's accounting policy, such income is deferred to future years, since otherwise its exceptional size and nature would materially distort operational results and fund balances. General-purpose contributions, however, continue to be recognized on a pledged basis because they mainly fund headquarters and field operations on which expenditure is incurred in the same year as the pledge. Also, most general-purpose income has been collected in the same year that it is pledged, with only 3.6 per cent of the total 1994-1995 general-purpose contributions remaining unpaid at the end of 1995. As a matter of prudence, any unpaid pledges older than five years are cancelled if no written confirmation is received in response to reminders. In these respects, the accounting policy on income remains consistent with that of prior periods.

Overview of the financial situation

5. The 1994-1995 biennium was a period of consolidation for the Fund of United Nations Drug Control Programme (UNDCP). Total expenditures were maintained at $138,354,500, compared to $140,417,372 for 1992-1993. Throughout 1994-1995, UNDCP continued to play a catalytic role in the field of international drug control. The Programme has acquired a critical mass of technical expertise at headquarters and a stronger field office network to carry out mandated

activities. Major activities included the formulation, implementation and monitoring of some 298 projects. The level of total income has, however, dropped from $145,182,134 in 1992-1993 to $131,406,972 in 1994-1995, resulting in a total shortfall of $6,947,528 in 1994-1995 compared to the surplus of $4,764,762 in 1992-1993. Total fund balances also declined from $73,284,162 in 1992-1993 to $63,337,911 in 1994-1995, mainly due to the shortfall in income and the repayment, in accordance with donor stipulations, of surplus special-purpose funds.

6. Of greater concern than the decline in total fund balances and income is the sharp decline in general-purpose resources. In 1994-1995, as compared to 1992-1993, general-purpose income dropped by 31.5 per cent, or $17,499,361, whereas expenditure was 17.1 per cent or $6,828,911 higher. This resulted in a deficit of $8,718,843 for 1994-1995 compared to a surplus of $15,609,429 for 1992-1993. Given the Programme's continuing commitments for which it has no other funding sources, such an accelerating trend will lead to a serious depletion of the general-purpose fund balance in 1996-1997, impacting most severely on two critical areas. The first would be the Programme's loss of flexibility, as it is increasingly difficult to fund mandated, programmed activities not covered by special-purpose funding. General-purpose income is barely enough to fund core functions at headquarters and in the field. Secondly, it opens the Programme to a potential cash-flow problem should a major contribution be reduced or even delayed. This potential risk can be measured by the fact that over half of the general-purpose contributions are currently borne by three donor countries. UNDCP therefore launched a major initiative both to broaden the donor base and to increase general-purpose contributions. This initiative resulted in the adoption of a resolution at the thirty-ninth session of the Commission on Narcotic Drugs, held in April 1996, towards a new system of financing UNDCP activities.

7. In addition to the Fund of UNDCP, the Programme is financed under the regular programme budget of the United Nations, with a total expenditure of $14,800,780 during the biennium 1994-1995, as shown in note 4. Whereas the Fund supports activities geared towards assisting developing countries in international drug control, the regular budget share of UNDCP is mostly concerned with treaty implementation and legal affairs. The Fund accounted for approximately 91 per cent of resources available to UNDCP in 1994-1995, compared to approximately 9 per cent covered under the regular budget of the United Nations.

Statement I. Status of approved budget

8. Statement I gives the status of expenditure against approved budget for the biennium ended 31 December 1995. The total budget approved by the Commission on Narcotic Drugs in its resolution 15 (XXXVIII), adopted on 14 December 1995, at its reconvened thirty-eighth session, was $148,712,300. Total expenditures amounted to $138,354,500 and reflect an implementation rate of 93 per cent against the approved budget.

9. The approved budget of $148,712,300 is equivalent to the estimated expenditures for 1994-1995 in the performance report approved by the Commission on Narcotic Drugs, and represents the concluding stage of the programme budget process for the biennium 1994-1995. The process started with the approval of the initial budget of $187,889,300, followed by the revised budget of $190,641,600, the final budget of $188,923,100 and ending with the performance report of $148,712,300.

10. UNDCP programme support income has been utilized to cover expenditure for staff and other personnel costs at headquarters, as indicated to the Commission on Narcotic Drugs in the context of the proposed final programme budget and performance report for the biennium 1994-1995 and proposed initial programme budget for the biennium 1996-1997 (E/CN.7/1995/21). Details on the programme support cost arrangements for 1994-1995 are outlined in notes 2 (1) and 5.

Statement II. Income and expenditure

11. Statement II shows a total income of $131,406,972 and a total expenditure of $138,354,500 for the biennium 1994-1995, resulting in a deficit of $6,947,528. Compared to the biennium 1992-1993, income declined by $13,775,162, or 9.5 per cent, but expenditure declined by only $2,062,872, or 1.5 per cent. A significant improvement, however, was recorded in the increase in interest income, which rose by $2,292,737, or 32.7 per cent, despite a decline in cash and term deposits of $23,607,951, or 22.8 per cent. Such significant improvement was achieved not only because of a rise in general interest rates but also through better cash and treasury management.

12. Statement II also provides a breakdown between general-purpose and special-purpose funds for the biennium 1994-1995. General-purpose income amounted to $38,026,165, or 28.9 per cent of total income, and special-purpose income amounted to $93,380,807, or 71.1 per cent. General-purpose expenditure amounted to $46,745,008, or 33.8 per cent of total expenditure, and special-purpose expenditure amounted to $91,609,492, or 66.2 per cent. As a result, expenditure exceeded income for the general-purpose fund in the amount of $8,718,843, whereas for special-purpose funds a small surplus of $1,771,315 was recorded.

13. Total UNDCP programme support costs for 1994-1995 amounted to $5,685,806, compared to $2,458,489 for 1992-1993. The increase of $3,227,317, or 131.3 per cent, can be attributed mainly to the modified UNDCP programme support cost arrangement introduced in late 1993 and outlined in the Executive Director's note on programme support cost arrangements (E/CN.7/1993/15).

Statement III. Assets and liabilities

14. Statement III reflects the assets, liabilities, reserves and fund balance as at 31 December 1995. Compared to 1992-1993, the fund balance declined by $9,946,251, or 13.6 per cent, reflecting the decline in net assets. Operating reserves were maintained at a slightly lower level, being calculated, as explained in note 14 to the financial statements, on annual expenditures, which also declined proportionately. Unpaid pledged contributions declined by $4,303,109, or 79.6 per cent, confirming a much better rate of collection.

15. The development of the fund balance reflects a shift from general-purpose to special-purpose resources in accordance with the income/expenditure patterns during 1994-1995. Between 1 January 1994 and 31 December 1995, the general-purpose share of the fund balance decreased from 64.5 per cent to 62.8 per cent and the special-purpose share increased from 35.5 per cent to 37.2 per cent. However, in absolute terms the general-purpose fund balance declined in 1994-1995 by $7,435,296, or 15.7 per cent, whereas the special-purpose fund balance declined in 1994-1995 by only $2,510,955, or 9.6 per cent.

Statement IV. Cash flow

16. A new statement of cash flow has been added to the financial statements for 1994-1995, in line with United Nations common accounting standards. In 1994-1995 there was a net cash outflow of $23,607,951, compared to a net cash outflow of $7,050,210 for 1992-1993. This cash outflow has considerably reduced the high cash balances acquired in the past, which the Commission on Narcotic Drugs had requested UNDCP to reduce progressively.

Schedules

17. The financial statements are supported by three schedules. Schedule 1 shows the status of general-purpose contributions and schedule 2 the status of special-purpose contributions. Total unpaid pledges as at 31 December 1995 amounted to $1,103,979 under the general-purpose fund. As at 31 December 1995, a total of 16 countries had unpaid pledges under the general-purpose fund. Schedule 3 presents the status of operating funds advanced to agencies as at 31 December 1995, amount to $14,781,518, a decline from $19,438,348 at the end of 1993.

Notes to the financial statements

18. The financial statements include 17 notes. Note 2 describes the significant accounting policies applied in the preparation of the statements. The remaining 16 notes provide additional information and clarification of the Programme's financial activities for which the Executive Director has administrative responsibility.

II. REPORT OF THE BOARD OF AUDITORS

Introduction

1. The Board of Auditors audited the financial statements of the Fund of the United Nations International Drug Control Programme (UNDCP) for the period from 1 January 1994 to 31 December 1995. The audit was conducted in conformity with article XII of the Financial Regulations and Rules of the United Nations and the annex thereto, and the common auditing standards of the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency. These standards require that the Board plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement.

Audit objectives and approach

2. The Board's audit included the examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements. The examination was based on an assessment of UNDCP's accounting systems and controls and on a test audit, in which all areas of the financial statements were subject to direct substantive testing of transactions. The audit also included an assessment of the accounting principles used and significant estimates made by management, as well as an evaluation of the financial statements. While the financial statements are the responsibility of UNDCP's management, the responsibility of the Board is to express an opinion on whether, based on its audit, the financial statements present fairly the financial position of UNDCP as at 31 December 1995.

3. The Board's examination included a general review and such tests of the accounting records and other supporting evidence as it considered necessary in the circumstances. These audit procedures were designed primarily for the purpose of forming an opinion on UNDCP's financial statements.

4. In addition to the audit of the accounts and financial transactions, the Board carried out reviews under regulation 12.5 of the Financial Regulations and Rules of the United Nations. The reviews primarily concerned the efficiency of financial procedures, the internal financial controls and, in general, the administration and management of UNDCP.

5. In 1994-1995, the Board examined the use of experts and consultants and budgetary planning and reporting. The Board's staff also visited UNDCP's field office in Brazil.

6. A summary of the Board's recommendations is contained in paragraph 10 below. Its main findings are summarized in paragraphs 11 to 15. Detailed findings are in paragraphs 16 to 38.

7. The Board's observations on all matters contained in the present report were communicated to UNDCP. UNDCP confirmed the facts on which the Board's observations and conclusions are based and provided explanations and answers to the Board's queries.

Follow-up actions taken on previous audit recommendations

8. The Board's examination included an evaluation of the steps taken by the Administration to implement previous audit recommendations as requested by the General Assembly in paragraph 15 of its resolution 47/211 of 23 December 1992. Most of the previous recommendations of the Board were implemented effectively by the Administration. The details of the actions taken by the Administration, together with the comments of the Board, are set out in the annex to the present report.

Overall results

9. Subject to its comments on executing agency expenditure reports (paras. 16-19), the Board's examination revealed no weaknesses or errors considered material to the accuracy or completeness of the financial statements as a whole. In accordance with normal procedures, the Board recorded significant findings in management letters to UNDCP.

Summary of recommendations

10. The Board recommends that:

(a) UNDCP should take action to ensure timely receipt of audit certificates from executing agencies (see para. 19);

(b) UNDCP should consider presenting a performance report which indicates actual out-turn for the biennium in terms of activities and which includes a quantified summary of achievements against mandates and objectives across all activities (para. 33).

Summary of main findings

On programme expenditure incurred by executing agencies

11. Programme expenditure of $6 million incurred by executing agencies was not supported by audit certificates (paras. 16-19).

On UNDCP's financial position

12. UNDCP spent 93 per cent of its approved budget in 1994-1995. However, because of a shortfall in expected receipts, expenditure exceeded income by $6,947,528 (para. 20).

On the United Nations System Accounting Standards

13. UNDCP has changed its accounting policy for recording income. Income for specific purposes is recorded only when received (paras. 21 and 22).

On the use of consultants and experts

14. The Board found that UNDCP's system governing the requesting, selection and engagement of consultants needs to be improved. The Board welcomes action taken by UNDCP in this regard (paras. 24-29).

On budget formulation and reporting

15. The Board found that UNDCP's budget proposals during 1994-1995 were generally based on sound economic and financial principles, but it identified areas for improved accountability and measurement of performance (paras. 30-37).

Part I: Financial statements

Programme expenditure incurred by executing agencies

16. The Board does not have access to the expenditure records of all executing agencies and consequently has to rely on audit certificates from other auditors to confirm that funds advanced to executing agencies and national Governments have been properly expended on UNDCP projects.

17. The Board noted in its report on the 1992-1993 financial statements of UNDCP that at the date of finalization of the statements, audit certificates had not been received from executing agencies, primarily non-governmental organizations, in respect of programme expenditure totalling $7.8 million. The Board recommended that UNDCP formalize and clarify its arrangements for receiving audited expenditure statements.

18. UNDCP has incorporated a formal requirement into its agreements with executing agencies that audited statements are submitted at the end of the period.

19. For the biennium ended 31 December 1995, programme expenditure amounting to $6,077,775, out of a total of $102,876,710 incurred by executing agencies, was not supported by audited statements at the date of the finalization of UNDCP's financial statements. This expenditure was included in the financial statements on a basis consistent with the unaudited reports from the executing agencies concerned. However, owing to the absence of audit certificates, there is insufficient evidence to allow the Board to form an audit opinion in respect of this expenditure. While the Board recognizes the improvement achieved compared to 1992-1993, the Board considers that UNDCP should take action to ensure timely receipt of audit certificates.

Financial position

20. Statement I of the financial statements shows that UNDCP spent $138,354,500 (93 per cent) of its approved budget for the biennium of $148,712,300. However, as shown in statement II, UNDCP received income of only $131,406,972, resulting in an excess of net total expenditure over income of $6,947,528 for the biennium ended 31 December 1995.

United Nations System Accounting Standards

21. In 1994-1995, UNDCP changed its accounting policy on the recording of income to comply with the United Nations System Accounting Standards. Income for specific purposes is now recorded when received. Income for general purposes is recorded on the basis of when the written pledge was made.

22. As a result, UNDCP has restated comparative figures for 1992-1993 contributions (statement II); pledged contributions unpaid (statement III); and the special purpose fund balance (statement III). The Board has reviewed these figures and confirmed their accuracy for inclusion in the financial statements.

Write-off of losses of cash, receivables and property, ex gratia payments

23. In 1994-1995, UNDCP reported no write-offs of losses of cash or other assets or ex gratia payments during the period.

Part II: Management issues

Use of consultants and experts

24. The Board reviewed UNDCP's use of consultants and experts. During the biennium, UNDCP awarded 198 consultancy contracts to 164 individuals at a cost of $2.4 million and employed 60 experts at a cost of $7.2 million.

25. The Board considered that UNDCP's overall system governing the requesting, selection and engagement of consultants needs to be improved. Substantive units need to plan their use of consultants on a more formal and timely basis, giving greater attention to identifying possible candidates and providing clear reasons and justification for selection. In addition, terms of reference should be specific, quantifiable, achievable, relevant to the work and time-related.

26. The Board considered also that the Division of Personnel of the United Nations Office at Vienna needs to apply guidelines more strictly. Where substantive units have not properly justified the proposed selection, the Division of Personnel should refer such cases back to them. The Board recognizes that late requests from substantive units had made it difficult to do this without disrupting the operation of UNDCP. However, the Board considers that the Division of Personnel should take a firmer line in order to improve standards for the future.

27. UNDCP conducted an in-house evaluation of consultancies which mirrored the Board's findings. The Executive Director has initiated a number of steps to improve the system of planning and management of consultancies, including the establishment of a consultants' and experts' roster. The Board welcomes that action.

28. The Board noted that during 1994-1995 some expert posts at UNDCP headquarters were supporting overhead and backstopping activities. UNDCP acknowledged this and agreed that project posts should be strictly limited to technical cooperation projects. UNDCP decided that this arrangement could continue on the understanding that the number of cases would not increase in 1994-1995 and the posts would be transferred to the headquarters or programme support budget.

29. The Board is pleased to note that the number of project posts at UNDCP headquarters was reduced from 92 in 1994-1995 to 32 as at 1 January 1996.

Budget formulation and reporting

Background

30. The budgets of UNDCP and programme support costs are financed from voluntary contributions and are intended to assist developing countries meet their obligations in implementing provisions of international drug control treaties. Such activities are provided through UNDCP's headquarters, field offices and project activities.

31. The Board reviewed UNDCP's methodology in preparing the budget and performance reports.

Performance report

32. The Board found that UNDCP's performance report for 1994-1995, which shows estimated actual requirements for 1994-1995 against the final programme budget, is weakened in its impact and usefulness because no account is taken of actual out-turn for the biennium.

33. The Board recommends that UNDCP consider new ways of presenting a performance report which indicates actual out-turn for the biennium in terms of activities. The Board also recommends that UNDCP consider including in the performance report a quantified summary of achievements against mandates and objectives across all activities.

Final budget

34. The Board found UNDCP's final budget to have been properly prepared, reviewed and approved but was concerned that there was no clear mechanism for UNDCP to be accountable for actual performance against the final budget. The Board would normally expect the financial statements to provide the means of accountability.

35. To this end, UNDCP has revised the format of statement I, which now presents the approved budget by funding source as well as object of expenditure. In addition, UNDCP now shows, as its approved budget, the estimated expenditure figures approved by the Commission on Narcotic Drugs through the performance report. This helps align the budget and financial reporting systems.

Budget proposals, 1996-1997

36. The Board is pleased to note a number of improvements in UNDCP's budget presentation for 1996-1997 compared with 1994-1995. At the request of the Commission on Narcotic Drugs, UNDCP's budget now clearly shows the relationship between the budget proposals and mandates for headquarters and field operations. The Board also welcomes the efforts made by UNDCP to illustrate in its budget proposals the relationship between the budget and mandates for project activities.

37. The most significant improvements in the preparation of the 1996-1997 estimates is that they have been prepared on the basis of individual costed work plans, which have been provided by each headquarters division and field office. These provide a detailed link between activities proposed and resource requirements. The clear identification of outputs not only helps to provide a realistic budget but also provides a useful tool for monitoring programme implementation throughout the biennium.

Cases of fraud and presumptive fraud

38. UNDCP reported no cases of fraud or presumptive fraud relating to the financial period 1994-1995.

Acknowledgement

39. The Board of Auditors wishes to express its appreciation for the cooperation and assistance extended to its auditors by the staff of UNDCP.

(Signed) Osei Tutu PREMPEH
Auditor General of Ghana

(Signed) Sir John BOURN
Comptroller and Auditor General
of the United Kingdom of Great Britain
and Northern Ireland

(Signed) Vijay Krishna SHUNGLU
Comptroller and Auditor General
of India

31 July 1996

ANNEX

Follow-up on actions taken by the United Nations International Drug Control Programme (UNDCP) to implement the recommendations of the Board of Auditors in its report for the biennium ended 31 December 1993 a/

Recommendations of the Board of Auditors	Implemented measures	Comments of the Board
(a) UNDCP should formalize and clarify its arrangements for receiving audited expenditure statements from its executing agencies.	Outstanding audit certificates for 1992-1993 were followed up with executing agencies and many were received. However, some difficulties still persist in obtaining such audit assurances from non-governmental organizations. UNDCP now has specific provisions in its agreements with executing agencies requiring audited statements. The problem is mainly one of timing in that the statements are not available prior to the conclusion of the audit of UNDCP.	The Board is pleased to note that UNDCP has incorporated a formal requirement into its agreements with executing agencies that audited statements are submitted at the end of the period.
(b) UNDCP should review and simplify its financial accounting arrangements.	Following the recommendations, joint proposals of UNDCP and the United Nations Office at Vienna to decentralize the accounting function of the Fund of UNDCP from New York to Vienna and to rationalize it were authorized by the Under-Secretary-General for Administration and Management. The proposals have now been successfully implemented in a cost-effective manner.	The Board is pleased to report that the Under-Secretary-General for Administration and Management accepted joint proposals of UNDCP and the United Nations Office at Vienna to decentralize the accounting function from United Nations Headquarters and to rationalize it. The new arrangements were implemented with effect from 1 January 1996.
(c) UNDCP should consult the United Nations Treasury on a regular basis to ensure that the investment policies meet the specific needs and requirements of UNDCP.	The implementation of this recommendation was reviewed by the Board of Auditors who stated in their management letter of 21 April 1995 that it was "pleased to note that UNDCP has implemented this recommendation with good effect" and that "notwithstanding a general increase in the level of interest rates available to investors during the year (1994) the improvement (in average interest returns) can also be attributed to the regular contact which UNDCP now maintains with the United Nations Treasury". This trend was maintained in 1995. Furthermore, banking arrangements have been rationalized as per the duly authorized joint proposals of UNDCP and the United Nations Office at Vienna. A number of dormant or nearly dormant bank accounts have also been closed.	The Board is pleased to note that UNDCP implemented this recommendation with good effect. UNDCP achieved an average return on its investments in 1994-1995 of 5.2 per cent, compared to 3.4 per cent in 1992-1993. Notwithstanding a general increase in interest rates during the period, the improvement can also be attributed to the regular contact UNDCP now maintains with the United Nations Treasury.

a/ Official Records of the General Assembly, Forty-ninth Session, Supplement No. 5I (A/49/5/Add.9), sect. II, para. 9.

III. AUDIT OPINION

We have examined the appended financial statements, numbered I to IV, properly identified, schedules 1 to 3 and the supporting explanatory notes of the Fund of the United Nations International Drug Control Programme for the biennium ended 31 December 1995 in accordance with the common auditing standards of the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency, except that the scope of our work was limited by the matters referred to below and as explained in paragraphs 16 to 19 of our report. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

Except for the effect of any adjustments that may be found to be necessary upon receipt of outstanding audited expenditure statements from executing agencies, it is our opinion that the financial statements present fairly the financial position of the Fund of the United Nations International Drug Control Programme as at 31 December 1995 and the results of its operations for the financial period then ended; that they were prepared in accordance with the stated accounting policies; and that the transactions were in accordance with the Financial Regulations and the relevant legislative authority.

In accordance with our usual practice, we have issued a long-form report on our audit of the Fund of the United Nations International Drug Control Programme's financial statements, as provided for in the Financial Regulations.

(Signed) Osei Tutu PREMPEH
Auditor General of Ghana

(Signed) Sir John BOURN
Comptroller and Auditor General
of the United Kingdom of Great
Britain and Northern Ireland

(Signed) Vijay Krishna SHUNGLU
Comptroller and Auditor General
of India

31 July 1996

IV. CERTIFICATION OF THE FINANCIAL STATEMENTS

10 May 1996

I certify that the appended financial statements of the Fund of the United Nations International Drug Control Programme, numbered I to IV, the supporting schedules and the notes are correct.

(Signed) Giorgio GIACOMELLI
Executive Director

V. FINANCIAL STATEMENTS FOR THE BIENNIUM ENDED 31 DECEMBER 1995

STATEMENT I

UNITED NATIONS INTERNATIONAL DRUG CONTROL PROGRAMME

Status of the approved budget for the biennium ended 31 December 1995

(United States dollars)

Object of expenditure	Note	General-purpose			Special-purpose			Total, 1994-1995		
		Budget	Expenditure	Balance	Budget	Expenditure	Balance	Budget	Expenditure	Balance
Headquarters										
Staff and other personnel costs	5	7,712,400	6,168,610	1,543,790	-	-	-	7,712,400	6,168,610	1,543,790
Travel		991,500	834,835	156,665	-	-	-	991,500	834,835	156,665
Contractual services		190,000	165,309	24,691	-	-	-	190,000	165,309	24,691
Operating expenses		834,100	821,479	12,621	-	-	-	834,100	821,479	12,621
Acquisitions		176,900	156,378	20,522	-	-	-	176,900	156,378	20,522
Fellowships, grants, other		1,400,000	1,398,296	1,704	-	-	-	1,400,000	1,398,296	1,704
Programme support costs (UNDCP)	5	3,791,400	5,685,806	(1,894,406)	-	-	-	3,791,400	5,685,806	(1,894,406)
Subtotal		15,096,300	15,230,713	(134,413)	-	-	-	15,096,300	15,230,713	(134,413)
Field operations										
Staff and other personnel costs		10,973,700	11,394,011	(420,311)	200,000	197,840	2,160	11,173,700	11,591,851	(418,151)
Travel		821,900	814,821	7,079	-	-	-	821,900	814,821	7,079
Operating expenses		1,909,400	1,945,873	(36,473)	-	-	-	1,909,400	1,945,873	(36,473)
Acquisitions		1,203,800	1,026,205	177,595	-	-	-	1,203,800	1,026,205	177,595
Subtotal		14,908,800	15,180,910	(272,110)	200,000	197,840	2,160	15,108,800	15,378,750	(269,950)
Project activities										
Staff and other personnel costs		8,931,700	8,164,508	767,192	27,771,000	27,854,792	(83,792)	36,702,700	36,019,300	683,400
Travel		742,100	436,795	305,305	2,265,000	2,395,590	(130,590)	3,007,100	2,832,385	174,715
Contractual services		5,108,000	3,664,733	1,443,267	16,996,800	16,685,904	310,896	22,104,800	20,350,637	1,754,163
Operating expenses		1,813,500	544,225	1,269,275	7,783,000	7,135,159	647,841	9,596,500	7,679,384	1,917,116
Acquisitions		9,625,300	5,150,206	4,475,094	23,480,500	20,797,735	2,682,765	33,105,800	25,947,941	7,157,859
Fellowships, grants, other		3,817,100	1,983,651	1,833,449	8,508,900	7,905,022	603,878	12,326,000	9,888,673	2,437,327
Programme support costs (agencies)		1,003,000	528,543	474,457	4,452,700	4,498,174	(45,474)	5,455,700	5,026,717	428,983
Programme support costs (UNDCP)	5	(3,791,400)	(4,139,276)	347,876	-	4,139,276	(4,139,276)	(3,791,400)	-	(3,791,400)
Subtotal		27,249,300	16,333,385	10,915,915	91,257,900	91,411,652	(153,752)	118,507,200	107,745,037	10,762,163
Total		57,254,400	46,745,008	10,509,392	91,457,900	91,609,492	(151,592)	148,712,300	138,354,500	10,357,800

STATEMENT II

UNITED NATIONS INTERNATIONAL DRUG CONTROL PROGRAMME

Statement of income and expenditure for the biennium ended 31 December 1995

(United States dollars)

1992-1993		Note	General-purpose	Special-purpose	Total 1994-1995
	INCOME				
135,330,406	Contributions (Schedules 1 & 2)	3	30,923,137	88,696,433	119,619,570
313,154	Public donations	6		1,338,134	1,338,134
48,636	Subventions		-	-	-
7,002,374	Interest income	7	5,948,871	3,346,240	9,295,111
2,487,564	Miscellaneous income	8	1,154,157	-	1,154,157
145,182,134	Total income		38,026,165	93,380,807	131,406,972
	EXPENDITURE				
42,685,012	Staff and other personnel costs		25,727,129	28,052,632	53,779,761
4,397,912	Travel		2,086,451	2,395,590	4,482,041
26,338,790	Contractual services		3,830,042	16,685,904	20,515,946
10,477,354	Operating expenses		3,311,577	7,135,159	10,446,736
38,374,111	Acquisitions		6,332,789	20,797,735	27,130,524
10,559,113	Fellowships, grants, other		3,381,947	7,905,022	11,286,969
5,126,591	Programme support costs (agencies)		528,543	4,498,174	5,026,717
2,458,489	Programme support costs (UNDCP)		1,546,530	4,139,276	5,685,806
140,417,372	Total expenditure		46,745,008	91,609,492	138,354,500
4,764,762	**EXCESS/(SHORTFALL) OF INCOME OVER EXPENDITURE**		(8,718,843)	1,771,315	(6,947,528)

STATEMENT III

UNITED NATIONS INTERNATIONAL DRUG CONTROL PROGRAMME

Statement of assets and liabilities as at 31 December 1995

(United States dollars)

1993		Note	General-purpose	Special-purpose	Total 1995
	ASSETS				
103,690,441	Cash and term deposits	9	43,646,011	36,436,479	80,082,490
5,407,088	Pledged contributions unpaid (Schedule 1)		1,103,979	-	1,103,979
658,413	Accounts receivable	10	1,030,599	-	1,030,599
19,438,348	Net operating funds advanced to agencies (Schedule 3)		3,955,594	10,825,924	14,781,518
1,213	Deferred charges and other assets		99,664	-	99,664
129,195,503	**TOTAL ASSETS**		49,835,847	47,262,403	97,098,250
	LIABILITIES, RESERVES AND FUND BALANCES				
	LIABILITIES				
28,464,530	Deferred income	11	-	12,995,885	12,995,885
14,820,163	Unliquidated obligations	12	2,616,457	4,692,510	7,308,967
135,389	Accounts payable	13	1,578,859	-	1,578,859
1,539,859	Due to United Nations General Fund		1,852,328	-	1,852,328
44,959,941			6,047,644	17,688,395	23,736,039
	RESERVES				
10,589,200	Operating reserve	14	3,446,200	6,040,500	9,486,700
362,200	Reserve for programme support costs	15	537,600	-	537,600
10,951,400			3,983,800	6,040,500	10,024,300
73,284,162	**FUND BALANCES**	16	39,804,403	23,533,508	63,337,911
129,195,503	**TOTAL LIABILITIES, RESERVES AND FUND BALANCES**		49,835,847	47,262,403	97,098,250

STATEMENT IV

UNITED NATIONS INTERNATIONAL DRUG CONTROL PROGRAMME

Statement of cash flow for the biennium ended 31 December 1995

1992-1993		General-purpose	Special-purpose	Total 1994-1995
	CASH FLOWS FROM OPERATING ACTIVITIES			
4,764,762	Net excess (shortfall) of income over expenditure (Statement II)	(8,718,843)	1,771,315	(6,947,528)
45,394,766	Decrease in contributions receivable	4,303,109	-	4,303,109
(237,313)	(Increase) in other accounts receivable	(372,186)	-	(372,186)
(14,766,484)	(Increase) decrease in net operating funds advanced to agencies	1,761,471	2,895,359	4,656,830
2,385	(Increase) decrease in deferred charges and other assets	(98,451)	-	(98,451)
71,896	Increase in accounts payable	1,443,470	-	1,443,470
7,221,986	Increase (decrease) in unliquidated obligations	(3,547,976)	(3,963,220)	(7,511,196)
(56,839,151)	(Decrease) in deferred income	(578,834)	(14,889,811)	(15,468,645)
(7,002,374)	Less: Interest income	(5,948,871)	(3,346,240)	(9,295,111)
(21,389,527)	**NET CASH (OUTFLOW) FROM OPERATING ACTIVITIES**	(11,757,111)	(17,532,597)	(29,289,708)
	CASH FLOWS FROM INVESTING ACTIVITIES			
7,396,568	Increase in amount due to United Nations General Fund	312,469	-	312,469
7,002,374	Add: Interest income	5,948,871	3,346,240	9,295,111
14,398,942	**NET CASH INFLOW FROM INVESTING ACTIVITIES**	6,261,340	3,346,240	9,607,580
	CASH FLOWS FROM OTHER SOURCES			
-	Increase in Programme Support Reserve	175,400	-	175,400
-	Inter-fund transfer	1,301,347	(1,301,347)	-
(59,625)	Refund to donors	-	(4,101,223)	(4,101,223)
(59,625)	**NET CASH (OUTFLOW) FROM OTHER SOURCES**	1,476,747	(5,402,570)	(3,925,823)
(7,050,210)	**NET (DECREASE) IN CASH AND TERM DEPOSITS**	(4,019,024)	(19,588,927)	(23,607,951)
110,740,651	Cash and term deposits at start of financial period	47,665,035	56,025,406	103,690,441
	Increase (decrease) in:			
213,000	Cash in transit	4,964,900	-	4,964,900
412,512	Imprest	(206,768)	-	(206,768)
209,017	Convertible currency deposits	(197,239)	-	(197,239)
(7,910,253)	Interest-bearing bank deposits	(8,522,433)	(19,588,927)	(28,111,360)
25,514	Non-convertible currency deposits	(57,484)	-	(57,484)
(7,050,210)	**NET (DECREASE) IN CASH AND TERM DEPOSITS**	(4,019,024)	(19,588,927)	(23,607,951)
103,690,441	Cash and term deposits at end of financial period	43,646,011	36,436,479	80,082,490

SCHEDULE 1

UNITED NATIONS INTERNATIONAL DRUG CONTROL PROGRAMME

Status of general-purpose contributions for the biennium ended 31 December 1995

Contributor	Prior period collections for 1994-1995	Total contributions collected during 1994-1995	Loss/(gain) on exchange	Unpaid pledges as at 1 January 1994	Unpaid pledges as at 31 December 1995	Total contribution income for 1994-1995
Australia	-	1,068,600	(14,726)	-	-	1,053,874
Austria	-	774,486	-	-	-	774,486
Bahamas	-	2,950	-	(2,950)	-	-
Bangladesh	-	3,000	-	(1,000)	-	2,000
Barbados	-	2,000	-	(1,000)	-	1,000
Belgium	-	190,443	1,659	-	-	192,102
Bolivia	-	-	-	(20,000)	25,000	5,000
Brazil	-	876	-	-	14,124	15,000
Bulgaria	-	30,000	-	(12,000)	-	18,000
Canada	-	255,401	-	-	-	255,401
China	-	-	-	(30,000)	90,000	60,000
Colombia	-	6,250	(62)	(6,188)	-	-
Côte d'Ivoire	-	838	1,327	(2,954)	789	-
Cyprus	-	1,000	-	-	-	1,000
Czech Republic	-	33,370	-	-	-	33,370
Denmark	-	956,859	-	-	-	956,859
Dominica	1,000	-	-	-	-	1,000
Ecuador	-	2,323	-	(2,323)	-	-
Egypt	-	2,000	-	(1,000)	-	1,000
Finland	-	50,000	-	-	-	50,000
France	-	1,623,498	-	(25,381)	-	1,598,117
Germany	-	2,495,621	(121,149)	-	-	2,374,472
Greece	-	9,966	-	-	-	9,966
Guyana	-	510	-	-	-	510
Hong Kong	-	31,044	-	-	-	31,044
Hungary	-	15,842	959	-	-	16,801
Iceland	-	-	(246)	-	3,062	2,816
India	-	-	-	(40,000)	40,000	-
Indonesia	-	4,000	-	-	-	4,000
Iran (Islamic Republic of)	-	2,000	-	(2,035)	-	(35)
Italy	-	6,716,177	-	-	-	6,716,177
Japan	-	9,076,622	-	-	-	9,076,622
Kenya	-	-	(448)	(1,811)	2,259	-

SCHEDULE I (concluded)

Contributor	Prior period collections for 1994-1995	Total contributions collected during 1994-1995	Loss/(gain) on exchange	Unpaid pledges as at 1 January 1994	Unpaid pledges as at 31 December 1995	Total contribution income for 1994-1995
Kuwait	-	10,000	-	-	5,000	15,000
Lao People's Democratic Republic	-	1,000	-	-	-	1,000
Lebanon	-	-	-	-	5,000	5,000
Liechtenstein	-	-	(2,250)	(2,013)	11,207	6,944
Luxembourg	-	133,699	-	-	-	133,699
Madagascar	-	-	-	(2,600)	5,200	2,600
Malaysia	-	40,000	-	-	-	40,000
Malta	-	2,025	-	-	-	2,025
Mexico	-	157,500	-	(7,500)	-	150,000
Morocco	-	3,000	-	(3,000)	6,000	6,000
Netherlands	-	819,250	(52,368)	-	-	766,882
New Zealand	-	60,420	(1,142)	-	-	59,278
Nigeria	-	4,973	-	-	-	4,973
Norway	-	-	-	-	-	-
Pakistan	-	645	18	-	-	663
Panama	-	6,000	-	(978)	750	5,772
Philippines	-	2,500	-	-	-	2,500
Portugal	-	22,000	-	-	-	22,000
Republic of Korea	-	60,000	-	-	-	60,000
Romania	-	714	467	-	588	1,769
Saudi Arabia	-	100,000	-	-	-	100,000
Singapore	2,000	2,000	-	-	-	4,000
Slovakia	-	6,700	-	(6,700)	-	-
South Africa	-	5,777	-	-	-	5,777
Spain	-	257,271	-	-	-	257,271
Sweden	-	7,761,386	(195,804)	(4,733,728)	-	2,831,854
Switzerland	-	523,882	-	-	-	523,882
Thailand	-	20,000	-	-	-	20,000
Tunisia	-	2,832	-	-	-	2,832
Turkey	-	110,000	-	-	-	110,000
United Kingdom of Great Britain and Northern Ireland	575,834	-	-	-	-	575,834
United States of America	-	1,560,000	-	(500,000)	885,000	1,945,000
Venezuela	-	1,927	-	(1,927)	10,000	10,000
TOTAL	578,834	35,031,177	(383,765)	(5,407,088)	1,103,979	30,923,137

SCHEDULE 2

UNITED NATIONS INTERNATIONAL DRUG CONTROL PROGRAMME

Status of special-purpose contributions for the biennium ended 31 December 1995

Contributor	Prior-period collections for 1994-1995	Total contributions collected during 1994-1995	Collections for 1996-1997	Total contribution income for 1994-1995
Austria	-	320,000	-	320,000
Bolivia	-	128,030	-	128,030
Brazil	-	2,120,237	-	2,120,237
Canada	-	273,306	-	273,306
Colombia	-	189,789	-	189,789
Denmark	-	2,768,703	(1,716,320)	1,052,383
European Commission	-	4,669,683	-	4,669,683
Finland	-	24,381	-	24,381
France	-	2,043,494	-	2,043,494
Germany	-	7,334,407	-	7,334,407
Italy	26,415,827	14,602,458	(9,772,385)	31,245,900
Japan	-	2,400,000	-	2,400,000
Luxembourg	-	294,159	-	294,159
Netherlands	-	1,777,492	-	1,777,492
Norway	-	804,716	-	804,716
Spain	-	740,785	-	740,785
Sweden	-	7,384,550	(1,507,180)	5,877,370
Switzerland	-	957,638	-	957,638
United Kingdom of Great Britain and Northern Ireland	1,469,869	13,705,120	-	15,174,989
United States of America	-	11,267,674	-	11,267,674
TOTAL	27,885,696	73,806,622	(12,995,885)	88,696,433

SCHEDULE 3

UNITED NATIONS INTERNATIONAL DRUG CONTROL PROGRAMME

Status of operating funds advanced to agencies as at 31 December 1995

(United States dollars)

	Agencies	Advances			Disbursements	Operating funds with agencies	Unliquidated obligations
		Prior period	1994-1995	Interest and other income			
United Nations entities	DDSMS	160,931	974,220	12,775	(1,209,920)	(61,994)	80,020
	ESCAP	57,764	133,389	-	(165,122)	26,031	11,069
	ESCWA	1,350	-	-	-	1,350	-
	ILANUD	1,279	92,211	819	(78,994)	15,315	-
	ITC	12,068	(2,710)	247	(9,605)	-	-
	UNDP/OPS	6,120,342	42,905,346	-	(46,576,524)	2,449,164	2,756,130
	UNDP/National	10,833,355	14,168,845	110,114	(15,565,637)	9,546,677	-
	UNDP/Working arrange	9,720	6,202,724	48,798	(4,764,193)	1,497,049	8,106
	UNDP/Other	-	4,939,508	-	(5,438,059)	(498,551)	-
	UNHCR	-	107,900	-	(100,987)	6,913	-
	UNICEF	-	-	-	(72,000)	(72,000)	-
United Nations specialized agencies	FAO	-	1,181,342	8,069	(960,340)	229,071	45,655
	ILO	(37,444)	2,340,676	10,318	(2,033,207)	280,343	61,051
	UNESCO	134,466	-	48,073	(91,598)	90,941	3,800
	UNIDO	1,307,529	10,446,000	109,647	(11,380,985)	482,191	1,591,130
	UPU	7,464	2,149	1,000	(10,613)	-	-
	WHO	73,461	1,312,700	65,364	(1,463,654)	(12,129)	179,407
Intergovernmental organizations	CCLEC	80,214	15,000	-	(81,297)	13,917	-
	CE	-	188,665	4,319	(169,472)	23,512	21,579
	CECAFEC	-	236,082	-	(244,732)	(8,650)	-
	CICAD	-	193,300	-	(193,300)	-	-
	ICPO/Interpol	6,125	260,800	-	(268,525)	(1,600)	-
	OAS	21,081	74,888	1,993	(97,962)	-	-
	WCO	165,525	550,125	-	(629,959)	85,691	-
Non-governmental organizations	AENOC	-	169,500	-	(174,600)	(5,100)	-
	ARF	-	113,900	-	(70,307)	43,593	2,483
	CEIS	6,408	847,808	4	(846,645)	7,575	7,545
	CERID	59,391	97,403	-	(157,682)	(888)	-
	CESE	-	689,175	2,388	(611,207)	80,356	-
	ECSW	-	227,800	-	(221,194)	6,606	527
	ENDA	(1,828)	1,065,414	1,516	(1,064,620)	482	-
	Gilead Church	175,080	-	-	-	175,080	-
	ICAA	35,004	171,536	-	(206,697)	(157)	-
	IPS	70,171	960,415	837	(983,885)	47,538	49,500
	NCA	71,221	605,187	-	(770,988)	(94,580)	-
	NCSWT	-	207,600	-	(217,014)	(9,414)	-
	RFHL	-	75,000	625	(76,915)	(1,290)	-
	SESI	-	580,951	41,565	(168,520)	453,996	-
	UWI	67,671	727,000	-	(810,191)	(15,520)	71,558
	Total	19,438,348	92,861,849	468,471	(97,987,150)	14,781,518	4,889,560

NOTES TO THE FINANCIAL STATEMENTS

Note 1. Statement of aims

The United Nations International Drug Control Programme (UNDCP) aims to ensure coherent and effective action by the international community against drug abuse and illicit drug trafficking. It supports development of international norms and standards; ensures harmonized action by the United Nations system; facilitates exchange of information, dialogue and cooperation among Governments at the subregional, regional and global levels; and provides technical advice and assistance to Governments in support of a balanced approach targeting both illicit supply and demand.

Note 2. Significant accounting policies

The following are the significant accounting policies of the Fund of the United Nations International Drug Control Programme:

Rules and procedures

(a) The accounts of the Fund are maintained in accordance with the Financial Regulations and Rules of the United Nations and in conformity with the United Nations System Accounting Standards (A/48/530), as recognized by General Assembly resolution 48/216 C of 23 December 1993, and subsequent revisions.

Accounting convention

(b) The accounts are prepared on a historical cost basis, modified to the extent that the cost of all property acquired is charged as an expense in the year of purchase.

The financial period is a biennium and consists of two consecutive calendar years.

Contingent liabilities

(c) Provision to meet contingent liabilities for compensation payments under appendix D of the United Nations Staff Rules for personnel financed from the Fund of UNDCP is calculated on the basis of 1 per cent of net base pay. Provision for repatriation grant entitlements is calculated on the basis of 8 per cent of net base pay for all personnel funded from the Fund (Note 13).

Unliquidated obligations

(d) Unliquidated obligations for the current period in respect of all technical cooperation activities remain valid for 12 months following the end of the period to which they relate.

Income

Special-purpose contributions

(e) Special-purpose contributions are recorded as income when received. For special-purpose contributions received in advance, income is deferred to future periods as otherwise their exceptional size and nature would materially distort operational results and fund balances.

General-purpose contributions

(f) General-purpose contributions are recorded on the basis of written pledges. Pledges are recorded against a written commitment by a prospective donor to pay a monetary contribution at a specified time or times. Unpaid pledges are cancelled when a written request for cancellation is received. In addition, unpaid pledges older than five years are cancelled when no written confirmation is received in response to reminders.

Miscellaneous income

(g) Refunds of expenditures charged to prior financial periods, including savings on liquidation of prior year obligations, net gains on exchange and proceeds from the sale of surplus property, are credited to miscellaneous income.

Interest income

(h) Investment income is based only on interest received and accrued from investments during the financial period. Interest due from investments made in the financial period but not maturing until future periods is recorded as accounts receivable.

General-purpose and special-purpose funds

(i) General-purpose funds arise from income which is not earmarked for a specific purpose or project. They are used to fund the approved budget for headquarters and field operations, as well as those project activities not funded by special-purpose funds. Special-purpose funds arise from income which is earmarked either for specific projects or purposes or within broader geographic and thematic sectors.

Investments

(j) Funds on deposit in interest-bearing bank accounts, certificates of deposit, time deposits and call accounts are shown as cash and term deposits, as they are all placed within a 12-month period in line with the United Nations investment policies and guidelines.

Translation of currencies

(k) The financial statements of the Fund of UNDCP are presented in United States dollars. Accounts maintained in other currencies are translated into United States dollars at the date of the transaction at rates of exchange established by the Controller of the United Nations. In respect of such currencies, the financial statements shall reflect the cash, investments, unpaid pledges and current accounts receivable and payable in currencies other than United States dollars, translated at the applicable United Nations rates of exchange in effect as at the date of the statements. On the closing of the accounts at the end of each financial period, if the balance of the exchange accounts reflects a net loss on exchange, it is debited to the budgetary account. If there is a net gain, this is credited to miscellaneous income.

Programme support

(1) UNDCP programme support income is utilized to cover UNDCP headquarters expenditure during the biennium. UNDCP charges a programme support rate of up to 13 per cent for project execution, which includes responsibility for maintaining overall project control and accountability for the achievement of project objectives. If the project is executed by UNDCP, the full 13 per cent rate for programme support is retained by UNDCP. If project execution is supported by an associated agency, programme support charges are shared between both organizations with a combined amount not exceeding 13 per cent. If project execution is entrusted by UNDCP to another agency, a programme support cost of up to 13 per cent is provided to the agency and no funds are retained by UNDCP. The same applies to national execution.

Note 3. Adjustment to prior-period income

The accounting policy on special-purpose contributions was changed in 1994-1995 to record income when received and not when pledged. To compare the 1992-1993 income with that of 1994-1995 on a consistent basis, the special-purpose contributions reported previously are adjusted for unpaid pledges, as shown below (in United States dollars):

	General purpose	Special purpose	Total 1992-1993
Reported income for pledged contributions	51 497 020	76 208 685	127 705 705
Add: Unpaid pledges at 1 January 1992	-	21 251 782	21 251 782
Less: Unpaid pledges at 31 December 1993	-	(13 627 081)	(13 627 081)
Restated contribution income	51 497 020	83 833 386	135 330 406

Note 4. Regular budget and Special Account for Programme Support Costs expenditure

The total expenditure of $138,354,500 in statements I and II does not include the following amounts for 1994-1995 financed from the regular budget of the United Nations and the United Nations Special Account for Programme Support Costs (in United States dollars):

	1994-1995	1992-1993
Regular budget of the United Nations		
Staff and other personnel costs	13 086 271	11 473 129
Travel on official business	1 067 208	975 116
Contractual services	433 714	414 393
General operating expenses	180 980	121 083
Acquisitions	32 607	50 574
Total	14 800 780	13 034 295
United Nations Special Account for Programme Support Costs		
Staff and other personnel costs	-	199 505
Total	-	199 505

Note 5. Staff and other personnel costs

UNDCP headquarters expenditure for staff and other personnel costs is financed from the Fund of UNDCP and programme support income (note 2 (1)). The use of programme support income in 1994-1995 was as follows (in United States dollars):

		General purpose	Special purpose	Total
Reserve, 1 January 1994		362 200	-	362 200
Add:	Programme support income	1 546 530	4 139 276	5 685 806
	Inter-fund adjustment	4 139 276	(4 139 276)	-
Less:	Staff and other personnel costs, headquarters	(5 685 806)	-	(5 685 806)
Add:	Programme support charge to projects for increase in reserves	175 400	-	175 400
Reserve, 31 December 1995		537 600	-	537 600

Statement I shows that expenditures under programme support costs (UNDCP) at headquarters for 1994-1995 amounted to $5,685,806 against a biennium budget of $3,791,400. As outlined, the programme support funds were utilized to cover staff and other personnel costs. Total expenditures under staff and other personnel costs therefore include the amount identified under this heading in statement I as well as the amount shown under programme support costs (UNDCP). Hence, total expenditures under staff and other personnel costs at headquarters for 1994-1995 amounted to $11,854,416 ($6,168,610 and $5,685,806) against a biennium budget of $11,503,800 ($7,712,450 and $3,791,400). The same applies for staff and other personnel costs shown in statement II.

Note 6. Public donations

Public donations received in 1994-1995 amounted to (in United States dollars):

	1994-1995	1992-1993
Contributions from the Seoul Broadcasting System	-	301 982
United Nations Association of Fukuoka, Japan	-	9 172
New York Mayor's Office	-	2 000
Drug Abuse Prevention Centre, Japan	923 529	-
Social Service Industry (SESI), Brazil	414 605	-
Total	1 338 134	313 154

Note 7. Interest income

Total interest earned in 1994-1995 amounted to $9,295,111 (1992-1993: $7,002,374). Special-purpose and general-purpose funds are not invested separately. The total interest income from investment is apportioned between general-purpose and special-purpose funds in accordance with the ratio of their respective average fund balance.

Note 8. Miscellaneous income

Total miscellaneous income in 1994-1995 (in United States dollars) amounted to:

	1994-1995	1992-1993
Repayment of loans in respect of crop substitution	-	1 497 371
Refund of expenditure, including savings on liquidation of prior-year obligations	780 211	980 809
Net gain on exchange	323 598	-
Proceeds from sale of drug identification kits	50 348	9 384
Total	1 154 157	2 487 564

Note 9. Cash and term deposits

Cash included (in United States dollars):

	1995	1993
Cash in transit	5 177 900	213 000
Imprest	217 639	424 407
Convertible currency deposits	26 754	223 993
Interest-bearing bank deposits	74 650 000	102 761 360
Non-convertible currency deposits	10 197	67 681
Total	80 082 490	103 690 441

Note 10. Accounts receivable

Accounts receivable included (in United States dollars):

	1995	1993
Interest accrued on investments	740 566	579 075
Education grant advance	132 120	67 911
Salary advance	157 913	11 427
Total	1 030 599	658 413

Note 11. Deferred income

Deferred income consisted of contributions received in advance for future periods and included (in United States dollars):

	1995	1993
Denmark	1 716 320	-
Dominica	-	1 000
Italy	9 772 385	26 415 827
Singapore	-	2 000
Sweden	1 507 180	-
United Kingdom	-	2 045 703
Total	12 995 885	28 464 530

Note 12. Unliquidated obligations

Unliquidated obligations comprised the following (in United States dollars):

	1995	1993
Headquarters	548 180	250 888
Field operations	8 106	36 067
Project activities	6 752 681	14 533 208
Total	7 308 967	14 820 163

Note 13. Accounts payable

Accounts payable included (in United States dollars):

	1995	1993
Repatriation grant accruals (see note 2 (c))	260 168	95 206
Appendix D compensation accrual (see note 2 (c))	37 411	37 879
Miscellaneous	1 281 280	2 304
Total	1 578 859	135 389

Note 14. Operating reserve

In accordance with Administrative Instruction ST/AI/284 on general trust funds, an operating reserve of 15 per cent of annual expenditures (adjusted for programme support costs) was maintained for UNDCP to protect against unforeseen shortfalls and to meet the final expenditures, including liquidating liabilities. This amounted to $9,486,700 in 1994-1995 ($10,589,200 in 1992-1993) against annual expenditures of $63,244,865 ($70,594,514 in 1992-1993).

Note 15. Reserve for programme support

In accordance with Administrative Instruction ST/AI/286 on programme support accounts, an operating programme support reserve of 20 per cent of annual programme support income was maintained to protect against unforseen shortfalls and to liquidate legal obligations in the event of abrupt terminations of activities financed from programme support funds. This amounted to $537,600 in 1994-1995 ($362,200 in 1992-1993) against an annual programme support income of $2,687,763 in 1994-1995 ($1,810,816 in 1992-1993).

Note 16. Fund balances

Fund balances represent the unexpended resources of the Programme as at 31 December 1995. Movement in these balances during 1994-1995 is summarized below (in United States dollars).

	General-purpose	Special-purpose	Total
Reported balance, 1 January 1994	47 239 699	39 671 544	86 911 243
(a) Prior-period adjustment for unpaid pledges as at 31 December 1993 (see note 3)	-	(13 627 081)	(13 627 081)
Restated balance, 1 January 1994	47 239 699	26 044 463	73 284 162
(b) Excess (shortfall) of income over expenditure 1994-1995	(8 718 843)	1 771 315	(6 947 528)
(c) Transfer (to) from operating reserve	(17 800)	1 120 300	1 102 500
(d) Inter-fund transfer a/	1 301 347	(1 301 347)	-
(e) Refund to donors b/	-	(4 101 223)	(4 101 223)
Balance at 31 December 1995	39 804 403	23 533 508	63 337 911

a/ Expenditure incurred for projects from general-purpose funds in the prior period was funded retrospectively from special-purpose funds received in the current period.

b/ In accordance with terms and conditions stipulated in special-purpose funding agreements, donors were refunded amounts surplus to the requirements of specific projects which were completed.

Note 17. Inventory

As at 31 December 1995, the purchased cost of non-expendable equipment held by UNDCP was $3,684,621. As disclosed in note 2 (b), these are not shown as assets in the statement of assets and liabilities.